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EX PARTE OR LATE FILED

U S WEST

Glenn Brown  
Executive Director-  
Public Policy

EX PARTE

April 7, 1998

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
1919 M Street N.W., Room 222  
Washington, D.C. 20554

RE: CC Docket 96-45 and 97-160

Dear Ms. Salas:

Today, the attached letter was submitted to Chairman William Kennard, with copies to Commissioners Furchtgott-Roth, Ness, Tristani, Powell and A. Richard Metzger, Chief of the Common Carrier Bureau.

In accordance with Commission Rule 1.1206(a)(2), the original and four copies of this summary of the presentation is being filed with your office. Acknowledgment and date of receipt are requested. A copy of this submission is provided for this purpose. Please contact me if you have questions.

Sincerely,



Attachment

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April 7, 1998

Hon. William E. Kennard  
Chairman  
Federal Communications Commission  
1919 M St. NW, 8<sup>th</sup> Floor  
Washington, DC

Dear Chairman Kennard:

I am writing to express serious concern regarding the next and most important element in the implementation of the Telecommunications Act of 1996 - Universal Service. If key FCC decisions are not made soon, there is serious risk that the FCC will miss the January 1, 1999 implementation date for new explicit support for "non-rural" LECs. This would have serious adverse consequences for many rural high-cost customers of U S WEST, and other local exchange carriers and clearly delay the progress of local competition.

In August of 1996, the FCC issued its *Local Competition Order* which unbundled elements of the LEC network, and made retail telecommunications services available at wholesale discount rates. In May of 1997, the Commission issued its *Access Reform* decision which substantially reduces the implicit subsidies inherent in access charges today. Both decisions will remove support for high-cost rural customers from the rate structure. In addition, both decisions referenced the *Universal Service Order* as the source of explicit support to replace previous implicit support mechanisms which are not sustainable in a competitive environment.

The *Universal Service Order*, however, did not create the new explicit mechanism. Rather, it set out a schedule for further proceedings with funding to begin January 1, 1999 - more than two years after implementing the removal of implicit supports. One of the first milestones the FCC identified was to reach closure on a proxy cost model platform by December 31, 1997, with a final decision on model inputs and structure by August, 1998. We are now three months into 1998, the platform debate continues, and much additional work remains. Yet if we are to preserve the availability and affordability of service in high-cost rural areas, and open these markets to competition, the FCC must adhere to the January 1999 date.

Our concern over the preservation of affordable service to rural customers is based in fact. In our 14 state territory, U S WEST provides service to 500,000 customers who cost in excess of \$50 per month, to serve, and of that total, 200,000 cost over \$100 per month. With present implicit support sources being eroded by competition, and being systematically eliminated by Commission decisions, these customers will be the first to experience upward pressure on their rates should the FCC fail to adopt an explicit support mechanism in a timely manner. Furthermore, many of these customers live in states without the large urban centers other states enjoy, making the support of the full universal service burden within that state's boundaries unworkable. For this reason, we believe the 75/25 funding split between the state and federal jurisdictions is not consistent with the intent of the 1996 Act.

Hon. William E. Kennard

April 7, 1998

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U S WEST (in partnership with BellSouth and Sprint) has proposed the Benchmark Cost Proxy Model (BCPM) as a tool to target high cost support. It is now time for the Commission to make the proxy model platform decision. This will allow parties to focus on developing model inputs and finalizing the model for implementation of funding in January of 1999. In making the platform decision, the FCC must assure that the selected model accurately identifies and distributes high cost assistance to the areas which need it the most. The BCPM sponsors have submitted data to your staff demonstrating the distribution of funding using both models under consideration. We believe that this data clearly shows the BCPM to be the superior model.

To address the disparity among states and their respective ability to shoulder the burden of universal service, U S WEST has proposed the Interstate High Cost Affordability Plan (IHCAP). Under IHCAP, the very highest cost customers would receive additional federal support so that each state can effectively manage its remaining universal service funding and rate rebalancing burden. We believe that IHCAP is consistent with current methods for funding high-cost rural areas, and can be implemented by January 1, 1999. Furthermore, we believe that IHCAP appropriately leaves the majority of the work for removing implicit support, rebalancing rates, and establishing additional explicit high-cost funding mechanisms with the states. Finally, we believe that the IHCAP plan represents a viable compromise between the needs of truly high-cost customers, while maintaining a reasonable federal fund size with appropriately targeted support.

It is imperative that you move quickly and decisively to assure support for the high-cost rural customers that we are both committed to serve.

Sincerely,



cc: Commissioner Susan Ness  
Commissioner Michael Powell  
Commissioner Furchtgott-Roth  
Commissioner Gloria Tristani  
A. Richard Metzger